

MoneyPlu\$

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MoneyPlu\$—Your Tax-favored Accounts Program

What is MoneyPlu\$?	MoneyPlu\$ is a program that includes tax-favored accounts, which are IRS-approved tax-free benefits. They save you money on eligible medical and dependent care costs by enabling you to pay these expenses with income deducted from your salary before it is taxed.
Pretax Premiums	The Pretax Group Insurance Premium feature allows you to pay your State Health Plan, HMO, State Dental Plan, Dental Plus and Optional Life (for coverage up to \$50,000) premiums before taxes are taken from your paycheck.
Flexible Spending Accounts	MoneyPlu\$ allows you to pay eligible medical and dependent care expenses with money before it is taxed. You authorize deposits to your MoneyPlu\$ account every pay period, before your salary is taxed. As you incur eligible expenses, you request tax-free withdrawals from your account to reimburse yourself. There are three kinds of MoneyPlu\$ accounts: a Medical Spending Account, a limited-use Medical Spending Account that can accompany a Health Savings Account and a Dependent Care Spending Account. If you incur dependent care and medical expenses, you can establish both a dependent care account and a Medical Spending Account or a limited-use Medical Spending Account.
Health Savings Accounts	<p>A MoneyPlu\$ Health Savings Account (HSA) is available to subscribers enrolled in the SHP Savings Plan and can be used to pay healthcare expenses. Unlike money in a MoneyPlu\$ Medical Spending Account, the funds do not have to be spent in the year they are deposited. Money in the account accumulates tax free, so the funds can be used to pay qualified medical expenses in the future. An important advantage of the HSA is that you own it. If you leave your job, you can take the account with you and continue to use it for qualified medical expenses.</p> <p>The MoneyPlu\$ program is governed by Sections 105, 125, 129 and 223 of the Internal Revenue Service (IRS) code. Fringe Benefits Management Company (FBMC) is the third-party administrator for the MoneyPlu\$ program. Each benefit has its own small administrative charge. This charge is designed to be minimal compared to your tax savings.</p>

MoneyPlu\$ Example*

This example shows how paying for benefits with pretax dollars increases your spendable income. The figures used are for a single person with two dependents.

	Without MoneyPlu\$	With MoneyPlu\$
Gross Monthly Pay	\$2,500.00	\$2,500.00
State Retirement	-150.00	-150.00
Pretax Payroll Deduction*	-0.00	-613.00
Administrative Fee	-0.00	-5.12
Taxable Gross Income	\$2,350.00	\$1,731.88
Payroll Taxes (estimate)	-501.38	-321.14
After-Tax Expenses*	-613.00	-0.00
Spendable Income	\$1,235.62	\$1,410.74

Increase in Spendable Income: \$175.12

*For the purpose of this example only, monthly pretax payroll deductions and after-tax expenses are defined as the following:

Health Premium	\$159
Dental Premium	\$21
Dependent Care Expenses	\$400
Out-of-Pocket Medical Expenses	\$ 33
Total	\$613

Note: Spendable income is considered the amount of your paycheck, plus the reimbursement from your Medical Spending Account or Dependent Care Account.

Administrative Fees

Pretax Group Insurance Premium Feature ¹	\$0.12 per month
Dependent Care Spending Account ¹	\$2.50 per month
Medical Spending Account or limited-use MSA ¹	\$2.50 per month
EZ REIMBURSE® MasterCard ²	\$20 per year
Health Savings Account ³	\$20 per year or \$2 per month (your choice) 50 cents per check if you are reimbursed by check. No charge if you use your VISA® debit card.

¹These fees are deducted from your paycheck before taxes.

²The fee for this optional debit card will be deducted from your Medical Spending Account.

³There may be additional fees for other services. All fees are deducted from your HSA.

Pretax Group Insurance Premium Feature

With this feature, you can pay your State Health Plan, HMO, State Dental Plan, Dental Plus and Optional Life (for coverage up to \$50,000) premiums before taxes are taken out of your paycheck. This feature is beneficial to all employees who pay these premiums.

Eligibility

You are enrolled in this feature automatically if you pay a health, dental or Optional Life premium, unless you decline on your NOE. If you declined the Pretax Group Insurance Premium feature in the past, you can enroll during the annual enrollment period or within 31 days of an approved change in status. (See page 160.) Your coverage will become effective on January 1 of the following year.

A note regarding Optional Life Insurance premiums

While the entire Optional Life insurance premium is deducted from your pay check before taxes, only premiums for coverage up to \$50,000 are exempt from taxes. Therefore, any premiums paid for additional coverage (above \$50,000) will be added back to your earnings at the end of the year and reflected on your W-2 form.

Flexible Spending Accounts

IRS Guidelines for Flexible Spending Accounts

1. The IRS does not allow you to pay your medical or other insurance premiums through any type of MoneyPlu\$ account.
2. You cannot transfer money between MoneyPlu\$ accounts or pay a dependent care expense from your Medical Spending Account or vice versa.
3. You have a 90-day grace period (until March 31, after the end of the plan year) to submit for reimbursement eligible MoneyPlu\$ expenses incurred during your period of coverage within the plan year.* A plan year is January through December.
4. You may not receive insurance benefits or any other compensation for expenses that are reimbursed through your MoneyPlu\$ accounts.
5. You cannot deduct reimbursed expenses for income tax purposes.
6. You may not be reimbursed for a service that you have not yet received.

*Be conservative when estimating your medical and/or dependent care expenses for the coming plan year. According to IRS guidelines, any money remaining in your account after the plan year ends and all of your reimbursable requests have been submitted and processed cannot be returned to you. Also, this money cannot be carried over into the next calendar year. You have until March 31 of the new plan year to file claims for services provided in the previous plan.

Written Certification

When enrolling in any MoneyPlu\$ accounts, written notice of agreement with the following will be required:

- I will only use my MoneyPlu\$ account to pay for IRS-qualified expenses and only for my IRS-eligible dependents.
- I will exhaust all other sources of reimbursement, including those provided under my employer's plan(s), before seeking reimbursement from my MoneyPlu\$ account.
- I will not seek reimbursement through any additional source.
- I will collect and maintain sufficient documentation to validate the above requirements.

Dependent Care Spending Account

Eligibility

You must be eligible for state group insurance benefits to participate in MoneyPlu\$. However, you are *not* required to be enrolled in an insurance program to participate in MoneyPlu\$, nor do you have to enroll in the Pretax Group Insurance Premium feature to participate in the Dependent Care or Medical Spending accounts.

You can enroll in the Dependent Care Spending Account within 31 days of your hire date. If you do not enroll at that time, you can enroll during annual enrollment, October 1-31. You **must** re-enroll during each annual enrollment period to continue your account the next year. You also can enroll in, or make changes to, this account within 31 days of an approved change in status (see page 160). If you have a question as to whether you qualify to enroll in the account or if you wish to make a change, call FBMC at 800-342-8017 or EIP at 803-734-0678 (Greater Columbia area) or 888-260-9430 (toll-free outside the Columbia area).

The Dependent Care Spending Account allows you to pay for dependent care expenses with your pretax income. You may set aside up to \$5,000 annually to pay your dependent care expenses:

- If you are married and filing separately, your maximum is \$2,500.
- If you are single and head of household, your maximum is \$5,000.
- If you are married and filing jointly, your maximum is \$5,000.
- If either you or your spouse earns less than \$5,000 a year, your maximum is equal to the lower of the two incomes.
- If your spouse is a full-time student or incapable of self-care, your maximum is \$3,000 a year for one dependent and \$5,000 a year for two or more dependents.

Under the Dependent Care Spending Account, you may be reimbursed for eligible dependent care expenses incurred by the following:

- Children 12 years and under who reside in your household
- Adults/children, mentally or physically incapable of self-care, who spend at least eight hours a day in your household

Eligible Expenses Generally, child, adult and elder care costs that allow you and your spouse to work or actively look for work are eligible for reimbursement. If you are married, your spouse must work, be a full-time student or be mentally or physically incapable of self-care. Examples:

- Day care facility fees
- Local day camp fees
- Baby-sitting fees for at-home care while you and your spouse are working (care cannot be provided by you, your spouse or other tax dependent)

Ineligible Expenses

- Child support payments or child care if you are a non-custodial parent
- Payments for dependent care services provided by your dependent, your spouse's dependent or your child who is under age 19
- Healthcare costs or educational tuition
- Overnight care for your dependents (unless it allows you and your spouse to work during that time)
- Nursing home fees
- Diaper services
- Books and supplies
- Activity fees
- Kindergarten expenses

Reimbursement of Eligible Expenses To request reimbursement, you will need to complete and submit a Flexible Spending Account Reimbursement Request Form, along with receipts showing the following:

- The date your dependent received the care (for example, October 1-October 31), **not** the date you paid for the service
- The name and address of the facility
- The name, address, tax ID number (or Social Security number) **and signature** of the individual who provided the dependent care

This information is required with each request for reimbursement.

An approved expense will not be reimbursed until after the last date of service for which you are requesting reimbursement. For example, if you pay your dependent care provider on October 1 for the entire month of October, you can submit your reimbursement request for all of October. However, payment will be made only after you receive the last day of care for that month.*

An approved expense will not be reimbursed until enough funds are in your Dependent Care Spending Account to cover the expense.*

*On your Reimbursement Request form, you may divide the dates of service to correspond with your payroll cycle. This will allow FBMC to issue a reimbursement for part of the total amount on the receipt if there are enough funds in your account.

How the Dependent Care Spending Account Works

1. Estimate the amount you will spend during the year (January 1-December 31) on dependent care, up to \$5,000, depending on your tax status. Don't forget to take into account vacation and holiday time when you may not have to pay for dependent care. During the year, monitor your expenses to make sure you are filing all of your claims for reimbursement. Remember, according to IRS guidelines, any money remaining in your account after you have claimed all your expenses at the end of the year cannot be returned to you. Also, this money cannot be carried over into the next calendar year. You have until March 31 of the new plan year to file claims for services provided the previous year.
2. The annual amount you elect to contribute to your account will be divided into equal installments and deducted from each paycheck before taxes. It is then credited to your Dependent Care Spending Account.
3. After incurring day care expenses, submit a MoneyPlu\$ claim form and a copy of your receipt from your day care provider to FBMC. You may ask your day care provider to sign the MoneyPlu\$ claim form as a receipt. The provider's tax ID number or Social Security number is required for the form to serve as a receipt.
4. Your claim will be processed within five working days of when FBMC receives it, if properly completed and signed. Then a direct deposit will be issued to your account, or a check will be mailed, up to your current account balance. You will be reimbursed for any remaining expenses when money is available in your account.

To Enroll

Complete a MoneyPlu\$ Enrollment Form, available from your benefits administrator or on EIP's Web site at www.eip.sc.gov. Submit the completed form to your benefits administrator. Re-enrollment is not automatic! You must re-enroll during each annual enrollment period to continue your account the following year. Any changes you make during annual enrollment will become effective the following January 1.

Medical Spending Account

Eligibility

You must be eligible for state group insurance benefits to participate in MoneyPlu\$. However, you are *not* required to be enrolled in an insurance program to participate in MoneyPlu\$, nor do you have to enroll in the Pretax Group Insurance Premium feature to participate in the Dependent Care or Medical Spending accounts.

To participate in the Medical Spending Account, you must have completed one year of continuous state service by January 1 following an annual enrollment period. You **must** re-enroll each annual enrollment period, October 1-October 31, to continue your account the following year. You also can enroll in, or make changes to, this account within 31 days of an approved change in status (see page 160).

If you have a question as to whether you qualify to enroll in the account or to make a change, call FBMC at 800-342-8017 or EIP at 803-734-0678 (Greater Columbia area) or 888-260-9430 (toll-free outside the Columbia area).

You may set aside up to \$5,000 annually to pay your **unreimbursed** medical, vision and dental expenses. Under the Medical Spending Account, you may be reimbursed for eligible expenses incurred by you, your spouse or your IRS-eligible dependents. To qualify as your IRS-eligible dependent, an individual must meet all of these criteria:

- a) Must be your relative, or, if not your relative, must live with you for the entire calendar year
- b) Must be a U.S. citizen or a resident of the U.S., Mexico or Canada; and
- c) You must have provided the individual with at least half of total support and/or expenses during the calendar year.

An eligible child of divorced parents is treated as a dependent of *both* parents. Therefore, either or both parents can establish a Medical Spending Account.

Eligible Expenses Expenses eligible for reimbursement include your deductibles, coinsurance and copayments. In addition to these expenses, your Medical Spending Account is an excellent way to help pay for:

- Vision care
- Annual physical exams
- Out-of-pocket dental fees (including orthodontia, if medically necessary, but not if cosmetic)
- Certain approved over-the-counter medicines*
- Any other out-of-pocket medical expenses deductible under current tax laws, including travel to and from medical facilities.

Note: Orthodontia treatment designed to treat a specific medical condition can be reimbursed. However, you will have to submit additional documentation each year. For more information, call FBMC Customer Service at 800-342-8017.

Limited-use MSAs If you have a Health Savings Account (HSA), you are eligible for a limited-use Medical Spending Account. This account may be used to pay expenses not covered by the SHP Savings Plan, including non-covered prescription drugs and dental and vision care. You may use your HSA, but not your limited-use MSA, for deductibles and coinsurance.

***Over-the-Counter Medicines** You may use your MSA to pay for some over-the-counter (OTC) drugs, including allergy, antacid, cold (and cough) and pain-relief medicines. The Treasury Department and IRS ruled that over-the-counter drugs may be paid with pretax dollars through health care flexible spending accounts, such as through a MoneyPlu\$ Medical Spending Account. This does not change the rules about itemizing medical expense deductions. The costs of over-the-counter drugs are still not deductible on tax returns. Please note that over-the-counter drug expenses are not eligible for reimbursement under a limited-use MSA.

FBMC will review and update the list of OTC medicines eligible for reimbursement on a quarterly basis. **It is your responsibility to remain informed about updates to this list**, which can be found at www.fbmc-benefits.com.

When a drug or medicine is added to the list, it can be reimbursed from the start of the year in which it is added. You may resubmit a copy of your receipt if a rejected OTC expense becomes eligible for reimbursement later in the same year. Remember that you have only until March 31, after the end of the year, to submit eligible expenses for reimbursement.

- Ineligible Expenses**
- Insurance premiums
 - Vision warranties and service contracts
 - Health or fitness club membership fees
 - Cosmetic surgery not deemed medically necessary to alleviate, mitigate or prevent a medical condition

Availability Once you sign up for a Medical Spending Account and decide how much to contribute, the entire amount will be available on January 1. You do not have to wait for the funds to accumulate in your account before getting reimbursed for eligible medical expenses.

Requesting Manual Reimbursement Expenses must first be submitted for payment to any health plan(s) provided by your employer in which you participate. Any remaining out-of-pocket expenses may then be submitted for reimbursement from your Medical Spending Account.

To request reimbursement from your Medical Spending Account, fax or mail a completed MoneyPlu\$ Reimbursement Request Form (fax number and address is located on the form), along with one of these:

- A receipt, invoice or bill from your healthcare provider listing the date you received the service, the cost of the service, the type of service and the person for whom the service was provided
- An Explanation of Benefits (EOB) from your health insurance provider that shows the type of service you received, the date and cost of the service and any uninsured portion of the cost.

In certain circumstances, a written statement from your healthcare provider that the service was medically necessary may be required. This Letter of Medical Need is available from FBMC by calling 800-342-8017.

EZ REIMBURSE® MasterCard® Card This EZ REIMBURSE® Card uses funds from your MoneyPlu\$ Medical Spending Account to pay eligible, uninsured medical expenses.

There is no risk of overspending. If funds are not available because you have spent more than you will deposit in the account during the year, the transaction will be denied.

The EZ REIMBURSE® Card is not available to you if you have a limited-use Medical Spending Account.

To Enroll

When you sign up for a Medical Spending Account, you may request an EZ REIMBURSE® Card on your Enrollment Form. There is a \$20 annual fee for the EZ REIMBURSE® Card. The fee will be deducted from your medical spending account at the start of the year.

Using the Card

You may use the card for:

- Copayments at physician, dentist and optometrist offices
- Deductibles
- Prescription copayments at participating pharmacies
- Uncovered prescriptions and other health-related expenses

About 50 percent of all MSA claims are for prescription drugs. When you present the card at a participating pharmacy to buy a prescription drug or to pay a prescription copayment, the cost is automatically taken from your account, with no additional documentation needed.

A list of pharmacies that accept the EZ REIMBURSE® Card is available to MSA participants at www.fbmc-benefits.com. Pharmacies on this list may or may not be participating pharmacies with your health insurance plan. Be sure you use a pharmacy that is also part of your health plan's network. If not, you will pay the full cost for the drug, and the cost will not apply to your deductible.

If a provider doesn't accept the card, you must file a paper claim. The Reimbursement Request form is available on the EIP Web site at www.eip.sc.gov.

If your pharmacist has questions about the card, suggest he call the Pharmacy Help Desk at 800-361-4542, Monday-Friday, 8 a.m. – 7 p.m.; Saturday, 9 a.m. – 5 p.m.; Sunday, noon – 5 p.m.

According to the IRS, it is not necessary to submit documentation to FBMC for eligible prescriptions and copayments. However, for all other healthcare expenses, **you must mail or fax a copy of** your statement, bill or receipt, along with an EZ REIMBURSE® Card Transmittal Sheet, to FBMC. This documentation must show the date of service, type of service and the cost. Transactions that require documentation will appear on your monthly statement from FBMC.

If you do not submit documentation or if you use your EZ REIMBURSE® Card for unqualified expenses, your EZ REIMBURSE® Card will be suspended. FBMC will apply any future paper claims for reimbursement to the outstanding or ineligible EZ REIMBURSE® Card transaction. You also may face tax consequence at the end of the year.

You do not have to wait for reimbursement as long as the vendor accepts MasterCard® and is appropriately coded as a healthcare facility. The expense is taken from your Medical Spending Account.

You must keep all substantiating documents for at least one year and submit them immediately to FBMC or to the IRS upon request.

Lost cards

If your EZ REIMBURSE® Card is lost or stolen, call 866-785-3621 immediately.

How the Medical Spending Account Works

1. Estimate the amount you and your family want to set aside in your Medical Spending Account, up to \$5,000 per calendar year. Consider only those expenses you and your family can expect to incur during the year (January 1 through December 31). Remember, any money remaining in your account after you have claimed all of your expenses at the end of the year cannot be returned to you. Also, this money cannot be carried over into the next year. **You have until March 31 of the new year to file claims for services provided in the previous year.**
2. The annual amount you elect to contribute to your account will be divided into equal installments and deducted from each paycheck before taxes. It is then credited to your Medical Spending Account.
3. If you choose to have an EZ REIMBURSE® Card, you present it when you incur eligible medical or dental expenses. If the provider accepts the card, the funds will automatically be removed from your account, and you will not have to wait for reimbursement. You will be notified on your monthly statement when to submit receipts.
4. After incurring medical or dental services and expenses, submit a MoneyPlu\$ request for reimbursement form and a copy of the receipt for these expenses to FBMC. A copy of the health or dental EOB can be submitted instead of a copy of the original receipt. File the claim only for the actual **unreimbursed** expenses covered by the receipt. Approved claims will be paid until you have reached the annual amount you elected to have deducted. Your claim will be processed within five working days of its receipt by FBMC. **Then a direct deposit will be issued to your account, or a check will be mailed.**

To Enroll in an MSA

To be eligible to enroll in the account, you must have completed one year of continuous state service by January 1 following the annual enrollment period. If you are eligible, you can enroll during an annual enrollment period. Complete a MoneyPlu\$ Enrollment Form, available from your benefits administrator or available on EIP's Web site at www.eip.sc.gov. Submit the completed form to your benefits administrator. Re-enrollment is not automatic! You must re-enroll during each annual enrollment period to continue your account the following year. Any changes you make during the annual enrollment period will become effective the following January 1.

To Enroll in a Limited-use MSA

MoneyPlu\$ Savings Plan subscribers who contribute to an HSA may enroll in a MoneyPlu\$ limited-use Medical Spending Account to pay certain eligible expenses. The limited-use Medical Spending Account may be used to pay expenses not covered by the SHP Savings Plan, including dental and vision care expenses. Except for the restriction on what kinds of expenses are reimbursable, a MoneyPlu\$ limited-use Medical Spending Account works the same as a MoneyPlu\$ Medical Spending Account.

Using your Limited-use MSA

Since you can pay for your out-of-pocket medical expenses with your MoneyPlu\$ HSA, some MoneyPlu\$ Medical Spending Account features are not available with a MoneyPlu\$ limited-use Medical Spending Account, including:

- No reimbursement of out-of-pocket medical expenses, such as deductibles, coinsurance and copayments
- No reimbursement for over-the-counter items and
- No EZ REIMBURSE® Card reimbursement option.

Remember, MoneyPlu\$ limited-use Medical Spending Accounts are available only to HSA participants. Dependent Care Spending Account eligibility is not affected by your HSA participation.

For More Information

For additional information regarding MoneyPlu\$, ask your benefits administrator. You will also find MoneyPlu\$ information on the Employee Insurance Program Web site at www.eip.sc.gov.

You also can enroll in or make changes to a Medical Spending Account within 31 days of an approved change in status. See “Changing your Flexible Spending Account Coverage” on page 160 for additional information.

If you have a question as to whether you qualify to enroll in the account or to make a change, call FBMC at 800-342-8017 or EIP at 803-734-0678 (Greater Columbia area) or 888-260-9430 (toll-free outside the Columbia area).

Deciding How Much to Contribute to Your Flexible Spending Accounts

To estimate how much to deposit in your Dependent Care Spending Account or Medical Spending Account, complete the MoneyPlu\$ Flexible Spending Accounts Worksheet available at www.eip.sc.gov. Be conservative in your estimates, since any money remaining in your accounts cannot be returned to you or carried forward to the next plan year.

Earned Income Tax Credit

How do contributions to a Dependent Care Spending Account or Medical Spending Account affect the Earned Income Tax Credit (EITC), sometimes called the Earned Income Credit? Contributions to these accounts, before tax, can lower your taxable, earned income. The lower the earned income, the higher the EITC. If you qualify for the EITC, contributions to one or both of these accounts will help.

Taxpayers may consult IRS Publication 596 for additional information, use the services of a tax professional or get assistance from a Volunteer Income Tax Assistance site. To find the closest site, call the IRS at 800-829-1040.

Dependent Care Spending Account vs. Child and Dependent Care Credit

If you pay for the care of a child or dependent so you can work, you may be able to reduce your tax by claiming the credit for those expenses on your federal income tax return (called the Child and Dependent Care Credit). Depending on a taxpayer's circumstances, participating in a Dependent Care Spending Account plan on a salary-reduction basis will generally produce the greatest tax benefit, except when:

- Your W-2 income before Dependent Care Spending Account salary reductions is approximately \$35,000 to \$39,000, you have only one qualifying individual and your eligible dependent care expenses for the tax year are less than \$3,000, or
- Your W-2 income is approximately \$12,000 to \$15,000 or less

If either of the above applies to you, the Child and Dependent Care Credit may be a better option for you.

In addition to receiving the tax benefit of participating in a Dependent Care Spending Account plan, a partial Child and Dependent Care Credit may be available to you. For example, you may be able to claim an additional tax credit in an amount equal to a percentage of \$1,000 if you have:

- Two or more qualifying individuals
- A maximum Dependent Care Spending Account tax filing status of \$5,000, and
- \$6,000 or more in eligible dependent care expenses

Note: You cannot use the Child and Dependent Care Credit if you are married and filing separately. Any dependent care expenses reimbursed through your Dependent Care Spending Account cannot be filed for the credit.

Take advantage of FBMC's Tax Savings Analysis software to calculate which may be the better choice for you. Visit www.fbmc-benefits.com and choose the Customer Service tab. You may also call FBMC Customer Service at 800-342-8017 or e-mail webcustomerservice@fbmc-benefits.com for assistance in determining the best choice for you. For more information on the Child and Dependent Care Credit, refer to IRS Publication 503.

Note: If you participate in the Dependent Care Spending Account or if you file for the Child and Dependent Care Credit, you must attach IRS Form 2441 to your 1040 income tax return. Failure to do this could result in the IRS not allowing your pretax exclusion. To claim the income exclusion for dependent care expenses on IRS Form 2441 (Child and Dependent Care Expenses), you must be able to list each dependent care provider's Taxpayer Identification Number (TIN). The TIN is an individual's Social Security Number, unless he or she is a resident or non-resident alien who does not have a Social Security Number. If you are unable to obtain a dependent care provider's TIN, you must send with your IRS Form 2441 a written statement that explains the circumstances and states that you made a serious effort to get the information.

MoneyPlu\$ Medical Spending Account vs. Claiming Expenses on IRS Form 1040

Unless your itemized medical and dental expenses exceed 7.5 percent of your adjusted gross income*, you cannot get a break by claiming them on your IRS Form 1040. But you can save taxes by paying for your uninsured, out-of-pocket medical expenses through a tax-free Medical Spending Account. For instance, if your adjusted gross income were \$45,000, the IRS would only allow you to deduct itemized expenses that exceed \$3,375 or 7.5 percent of your adjusted gross income. But, if you have \$2,000 in eligible medical expenses, the MoneyPlu\$ account saves you \$656 on your medical expenses in federal income (25 percent), South Carolina state tax (7 percent) and Social Security taxes (7.65 percent). With a Medical Spending Account, the money you set aside for medical expenses is deducted from your salary before taxes. So, it is always tax-free, regardless of the amount. By enrolling in a Medical Spending Account, you guarantee your savings.

***Note:** Both you and your spouse's incomes must be included for the purposes of determining adjusted gross income.

Taxpayers may consult IRS Publication 502 for additional information, use the services of a tax professional or get assistance from a Volunteer Income Tax Assistance site. To find the nearest site, call the IRS at 800-829-1040.

Flexible Spending Account Reimbursements

If you use an EZ REIMBURSE® Card, funds will automatically be transferred from your Medical Spending Account. You will not need to wait for reimbursement. Please note that the EZ REIMBURSE® Card is not available to limited-use MSA participants. More information on the EZ REIMBURSE® Card is on page 154.

If you file by mail, your reimbursement will be issued within five business days from the time FBMC receives your properly completed and signed reimbursement request. The minimum reimbursement is \$5, except for the last reimbursement, which brings your account balance to \$0.

Direct Deposit

You can have your MoneyPlu\$ reimbursement checks deposited automatically into your checking or savings account. There is no extra fee for this service, and you will still receive notification that your claim has been processed. To apply, complete a MoneyPlu\$ Direct Deposit Authorization Form available from your benefits office or on EIP's Web site at www.eip.sc.gov. Please note that processing your direct deposit application may take between four to six weeks.

MoneyPlu\$ flexible spending accounts are tax-favored accounts and must follow Section 125 guidelines. Your signature on the form submitted for reimbursement serves as a required certification that you are abiding by the plan rules. FBMC cannot process your request without it!

Changing Your Flexible Spending Account Coverage

You can start or stop your flexible spending accounts or vary the amounts you contribute to the account only under limited circumstances, according to the MoneyPlu\$ Program and IRS guidelines. The change you wish to make to your Dependent Care Spending Account or Medical Spending Account must be consistent with the event that triggers the change. For example, you may wish to start a Dependent Care Spending Account if you have a baby or adopt a small child. You may want to decrease your Medical Spending Account contribution if you get a divorce and will no longer be paying for your ex-spouse's out-of-pocket medical expenses.

A Change In Status Form is available on the EIP Web site at www.eip.sc.gov or from your benefits administrator, who will help you complete your form with eligible change in status information. Your payroll/benefits department will complete the payroll start/stop date section of the form. The Change In Status Form will be sent by your benefits administrator to FBMC to update your MoneyPlu\$ records. This form must be signed by your benefits administrator and sent to FBMC for processing in order for the change to become effective.

Within 31 days of an event that is consistent with one of the events below, you must complete and submit a Change In Status Form to your benefits administrator. Your benefits administrator must complete and review the form, along with any necessary documentation, authorize it and forward the form to FBMC in a timely manner. Any related claims you submit in the interim will be held pending FBMC's receipt and processing of the Change In Status Form.

Some permitted changes in status are:

- Marriage, legal separation, divorce
- Birth, placement for adoption, adoption
- Dependent becomes ineligible (by age, marriage, etc.)
- Death of spouse, dependent
- Gain or loss of employment
- Begin or end unpaid leave of absence
- Change from full-time to part-time employment or vice versa
- Change in day care provider

This is a partial list. For more information, contact your benefits administrator, call FBMC Customer Service at 800-342-8017 or call EIP at 803-734-0678 (Greater Columbia area) or 888-260-9430 (toll-free outside the Columbia area).

How Changes Affect Your Period of Coverage

Your flexible spending account is set up for the entire calendar year (your period of coverage). However, if you are permitted to change it during the year (an approved mid-plan-year election change), you have more than one period of coverage. Money you deposit during the original period of coverage may be combined with money you deposit after the mid-year change. However, expenses you incurred before the mid-year change cannot be reimbursed for more money than was in the MoneyPlu\$ account before the change.

How Leaving Your Job Affects Your Flexible Spending Account

Medical Spending Accounts

If you leave your job permanently, or take an unpaid leave of absence, you may change or continue your Medical Spending Account by completing the appropriate forms and requirements. If you were participating in the EZ REIMBURSE® Card program, your card will be suspended. However, you may continue your Medical Spending Account only through the end of the plan year. To make this change or continuation, contact FBMC within 31 days of the event by contacting FBMC Customer Service at 800-342-8017, or by e-mail at webcustomerservice@fbmc-benefits.com.

If you choose not to continue your Medical Spending Account election, you have a 90-day grace period to submit eligible Medical Spending Account expenses incurred while you were employed.

The Family and Medical Leave Act (FMLA) may affect your rights to continue coverage while on leave. Please contact your employer for further information.

Dependent Care Spending Accounts

If you leave your job permanently or go on unpaid leave, you cannot continue contributing to your Dependent Care Spending Account. You can, however, continue to request reimbursement for eligible expenses incurred while employed until you exhaust your account balance or the plan year ends.

Flexible Spending Account Appeals

If a MoneyPlu\$ reimbursement claim, a request for a mid-plan-year election change or other similar request is denied, in full or in part, you have the right to appeal the decision by sending a **written request** to FBMC for review within 30 days of receipt of the denial. Your appeal must state:

- Why you think your request should not have been denied
- The name of your employer
- The date of the services for which your request was denied
- A copy of the denied request
- The denial letter you received
- Any additional documents, information or comments you think may have a bearing on your appeal

PLEASE NOTE: Appeals are approved only if the extenuating circumstances and supporting documentation are within IRS regulations governing the plan.

If FBMC denies your appeal, you may file a written request for review of the denied appeal. Submit your written request and pertinent documents to EIP

within 90 days of the denial by FBMC. A decision will be made within 90 days after request for review is received, or within 120 days, if special circumstances require an extension of time for processing the request. Written notice of the extension will be given within 90 days. If a decision is not made during the review period, the claim will be considered denied.

Access to Information About Your Flexible Spending Account

Internet

FBMC's Web site at www.fbmc-benefits.com provides information regarding your benefits and details on MoneyPlu\$. Along the top of FBMC's homepage, there are tabs to customer links. By clicking on one of these tabs and entering your Social Security number (SSN) and personal identification number (PIN), you will have access to the information you need. These Web sites are available for customer service 24 hours a day:

- **Account Information.** View transaction history, current balances, claims and change-in-status requests.
- **Downloading Forms.** Retrieve any MoneyPlu\$ forms you might need, including a Letter of Medical Need, FSA Reimbursement Request Claim Form, EZ REIMBURSE® Card Transmittal Sheet and Direct Deposit Form. You may also visit www.eip.sc.gov to get these forms.
- **EZ REIMBURSE® MasterCard® Card Pharmacy Locator.** Locate a participating pharmacy in your area.
- **Frequently Asked Questions.** Find answers to many of your general questions regarding MoneyPlu\$ and enrollment information. Any questions not answered in this section may be addressed to FBMC Customer Service.
- **FBMC Customer Service.** Link directly to FBMC's Customer Service Center. You may also use FBMC's Tax Analysis Software on the Customer Service tab. The Tax Analysis Software will help you calculate your MoneyPlu\$ contributions. It also will allow you to see your tax savings, as well as any impact using MoneyPlu\$ will have on your Social Security benefits.

Telephone

FBMC's 24-hour automated phone system gives you access to your benefits any time to check on a claim, verify the status of a MoneyPlu\$ claim, request forms and more! Getting connected to your benefits is easy. Call the Information Line at 800-865-FBMC (3262).

A Word About Your PIN

To access both the FBMC Web site and the Interactive Voice Response system, all you need is your Social Security Number (SSN). The last four digits of your SSN will be your first Personal Identification Number (PIN). You will then be asked to select your own confidential four-digit PIN for future use. Once you have selected your new PIN, you have access to information about your benefits. **Please keep your PIN in a safe place. The PIN you select will give you access to both the Interactive Voice Response system and the FBMC Web site.**

Fringe Benefits Management Company Contact Information

<u>Department</u>	<u>Hours</u>	<u>Phone</u>
FBMC Customer Service	M – F, 7 a.m. – 10 p.m.	800-342-8017
Automated Services	24 hours a day	800-865-3262

On the Web: www.fbmc-benefits.com

Fax: 850-425-4608

Health Savings Account

In an effort to continue to offer economical health insurance in the face of rising medical costs, the Employee Insurance Program introduced the State Health Plan Savings Plan, which became effective January 1, 2005. Coupled with a Health Savings Account (HSA), this option enables subscribers who are willing to take greater responsibility for their healthcare to reduce their insurance premiums and to save money for qualified medical expenses.

Eligibility

To be eligible for a Health Savings Account, a subscriber must be covered by a high-deductible health insurance plan, such as the State Health Plan Savings Plan. He cannot be covered by any other health plan, including Medicare. However, he can be covered for specific injuries, accidents, disability, dental care, vision care and long term care. He cannot be claimed as a dependent on another person's income tax return.

An eligible active subscriber may establish an HSA offered through any qualified financial institution. However, to contribute to an HSA through payroll deduction, he must use an account at NBSC, an affiliate of Synovus Financial Corp., which is administered by Fringe Benefits Management Company (FBMC).

Contributions

The maximum contribution to an HSA is indexed for inflation. In 2004, a subscriber with single coverage could contribute \$2,600, and a subscriber who covered himself and any other family member could contribute \$5,150. Total contributions for the entire year could not exceed these limits.

- If the maximum contributions remain the same, a subscriber with single coverage under the SHP Savings Plan can contribute \$2,600 to his HSA for the twelve months beginning Jan. 1, 2005. Contributions may be paid in a lump sum, in equal amounts for twelve months (such as through payroll deduction with MoneyPlu\$) or in any combination of payments during the years, as long as the total does not exceed \$2,600.
- If the maximum contributions remain the same, a new subscriber with the same coverage, but beginning after January 1, can contribute up to one-twelfth of the \$2,600, or \$216.66, times the number of months remaining in the year. **For example**, a new subscriber beginning coverage on September 1 would be eligible to contribute \$866.64 for the four months remaining in the

year (four-twelfths, or 4 x \$216.66). Contributions may be paid in a lump sum, in equal amounts for twelve months (such as through payroll deduction with MoneyPlu\$) or in any combination of payments during the years, as long as the total does not exceed \$866.64.

However, subscribers age 55 and older may make “catch-up” contributions to an HSA. The amount for 2005 will be \$600.

There is no minimum contribution, but keep in mind certain administration fees will be deducted from your account.

Changing Contributions

You may change the amount you contribute to your MoneyPlu\$ HSA through payroll deduction once a quarter. To make the change, contact your benefits administrator.

You may make regular and catch-up contributions to your HSA up to the time your federal income tax return is due, usually April 15.

Excess Contributions

FBMC will monitor your HSA contributions and send an alert to your benefits administrator if you are exceeding your contribution limit. NBSC also will send periodic notices to remind you to check your balance.

However, the best way to avoid problems is to divide your annual contribution among the number of paychecks you receive. For example, if you receive 24 paychecks each year and you had single coverage, in 2004, you could deduct \$108.33 each pay period. If you had family coverage, you could deduct \$214.58 each pay period.

Eligible Expenses

You may use the funds in your HSA tax-free to pay for unreimbursed eligible medical expenses for yourself, your spouse and your dependents. Medical expenses include the costs of diagnosis, cure, treatment or prevention of physical or mental defects or illnesses. For more information, see IRS Publication 502.

Medical Spending Account

If you have an HSA, you also can have only a limited-use Medical Spending Account. That account may be used for expenses not covered by your health insurance, the Saving Plan. Eligible expenses include dental and vision care. See page 153 for more information.

If you enrolled in a full Medical Spending Account instead of an HSA, you cannot sign up for an HSA until the next enrollment period or a special eligibility situation occurs that allows you to end your MSA within 31 days of the event.

Using HSA Funds

After enrolling in an HSA, you will receive from NBSC one Visa® debit card if you have single coverage under the SHP Savings Plan and two cards if you cover more than one family member. You will also receive a starter supply of checks. You may use either to reimburse yourself from your HSA.

One important difference between an HSA and an MSA is that on January 1, after annual enrollment, you have immediate access to your full yearly contribution to an MSA. This is not true of an HSA. You can only use funds that are

actually in your account. If you use your debit card for a transaction and you don't have enough money in your account, the transaction will not go through. If you write a check and you don't have enough money in your account, you will be charged for writing a check with insufficient funds.

You should keep receipts from expenses paid with your HSA in case the IRS audits your tax return and requests copies.

If you use HSA funds for ineligible expenses, you will be subject to taxes on the amount you took from your HSA, as well as a 10-percent penalty if you are under age 65.

HSA Fees

If you deposit funds in your HSA through payroll deduction, administrative fees will be deducted from your HSA. These fees include:

- \$20 a year or \$2 a month (your choice)
- 50 cents to process each check. (If you use your debit card, there will be no transaction fees.)
- \$4 for each additional Visa® debit card
- \$4 to replace lost or stolen Visa® debit cards

Other fees may apply, such as those for insufficient funds.

Investment of Funds

If you establish an HSA through NBSC, the money will, at first, be invested in an interest-bearing checking account. As the balance in your account grows, you will have other investment opportunities. One of the advantages of an HSA is that you do not have to spend all the funds the year they are deposited, as you do with a Medical Spending Account. The funds can accumulate and can be used for eligible medical expenses in the future.

Portability

If you leave your job, you can take your HSA with you and continue to use it for qualified medical expenses.

Tax Reporting

After the year ends, NBSC will send you forms to use in reporting your HSA contributions and withdrawals when you file your taxes. It is important to save documentation, including receipts, invoices and explanations of benefits you receive from your health insurance carrier, because you may be asked to show the IRS proof that your HSA funds were used for qualified expenses.

For More Information

A copy of the HSA Custodial Account disclosure statement and funds availability disclosure agreement is on pages 239-244 of this guide. Information also is available by contacting FBMC at 800-342-8017 or at webcustomerservice@fbmc-benefits.com

Information about the State Health Plan Savings Plan and the Health Savings Account offered through payroll deduction is available from your benefits administrator or EIP at 803-734-0678 (Greater Columbia area) or 888-260-9430 (toll-free outside the Columbia area) or on the Web at www.eip.sc.gov.

General information on HSAs is available on the Web at www.hsainsider.com and www.irs.gov.

